

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 92-637-R - ORDER NO. 93-805 ✓

September 1, 1993

IN RE: Application of Southern Motor Carriers)
Rate Conference, Inc. to Increase Rates) ORDER
and Minimum Charges in Tariff SCPSC SMC) APPROVING
306-E.) APPLICATION

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of an Application filed on behalf of Southern Motor Carriers Rate Conference, Inc. (SMCRC) on November 25, 1992, whereby SMCRC sought certain relief in the nature of approval of increases in certain rates and minimum charges published in SMCRC Tariff SCPSC SMC 306-E. The proposed increases vary from 3% to 10%, according to weight. The Application was filed pursuant to S.C. Code Ann., §58-23-1010 (1976), as amended, and R.103-191 et seq. of the Commission's Rules and Regulations for Motor Carriers.

Subsequent to the initiation of this proceeding, the Commission Staff instructed the Applicant to cause to be published a prepared Notice of Filing in certain newspapers of general circulation in the State of South Carolina. The Notice of Filing indicated the nature of the Application and advised all interested parties who wished to protest or intervene in the proceedings of the time and manner in which to file their protest or intervention. On January 29, 1993, the Commission received a Petition to Intervene from the Consumer Advocate for the State of South

Carolina (the Consumer Advocate). The Consumer Advocate was duly noted as an Intervenor in this Docket, and this matter was set for hearing.

A public hearing was set for May 19, 1993, at 10:30 a.m. in the Commission's Hearing Room to receive evidence in this matter. The hearing was duly convened before the Commission, the Honorable Henry G. Yonce, Chairman, presiding. SMCRC was represented by John A. Martin, Esquire and John W. Joyce, Esquire. Steven W. Hamm, Esquire and Elliott F. Elam, Esquire appeared on behalf of the Consumer Advocate, and Florence P. Belser, Staff Attorney, represented the Commission Staff.

SMCRC presented the testimony of Leajar A. Brooks, Manager of the Rate And Research Department of SMCRC; Daniel M. Acker, Manager of the Cost and Statistical Department of SMCRC; Russell Garrett, Vice President of Pricing and Traffic for Southeastern Freight Lines, Inc.; and Paul J. Dugent, Director of Pricing for Estes Express Lines. The Commission Staff presented the testimony of Maria Walker, an accountant with the Administration Division, and Kevin Yacobi, a Senior Rate Analyst with the Administration Division.

Mr. Brooks testified concerning the proposed filing and explained the exhibits attached to his prefiled testimony (Hearing Exhibit #1). Mr. Brooks testified that interstate rates increased 6% on January 1, 1993. Mr. Brooks also testified that the revenue increase requested by this filing is partially due to increased expenses and that the overall increase sought by this filing is 4.57%.

Mr. Acker testified that the cost-revenue comparisons presented by the Applicant are based upon a full year's Continuing Traffic Study (CTS) conducted under the direction and supervision of an expert in random sampling techniques. (Acker, Prefiled Testimony p. 2). Mr. Acker explained that the CTS is a weight-stratified sample of all shipments handled by numerous motor carriers operating throughout South Carolina, the Southeast, and the nation and that the CTS is conducted on an annual basis to eliminate any regional or seasonal bias inherent in short term studies. (Acker, Prefiled Testimony, pp. 2-3). Mr. Acker then explained his prefiled exhibits. (Hearing Exhibit #2).

Mr. Garrett of Southeastern Freight Lines testified regarding the expenses incurred by Southeastern Freight Lines and the effect of the proposed increase on Southeastern Freight Lines. On cross-examination by the Consumer Advocate, Mr. Garrett testified about the use of discounts and stated that for carriers to be competitive that they must offer discounts as the market is "price driven." Likewise, Mr. Dugent testified about the expenses incurred by Estes Express Lines and the effect of the proposed increase on Estes Express. On cross-examination, Mr. Dugent also testified about the use of discounts.

Commission Staff Accountant Maria Walker testified regarding the findings which resulted from Staff's audit concerning this rate case. The information filed by the Applicant indicates an operating ratio of 103.15% before the proposed increases. Based upon the information filed by the Applicant, the Commission Staff determined that the proposed increases would result in a projected

revenue increase of \$849,005, changing the Applicant's operating ratio to 94.27%. (Hearing Exhibit #3.).

Based on the record in this matter, the Commission makes the following Findings of Fact:

1. The Commission finds that it has jurisdiction of this matter pursuant to S.C. Code Ann., §58-23-1010 (1976), as amended, and R. 103-191 et seq. of the Commission's Rules and Regulations for Motor Carriers.

2. The Commission finds that cost-revenue comparisons based upon the Continuing Traffic Study (CTS), used by SMCRC in its proposal and described by witness Acker, is an appropriate method to examine the data needed to review the proposed increases, and the Commission finds that the analysis provided by the CTS is reasonable. (Prefiled Testimony of Acker and Hearing Exhibit #2).

3. The Commission finds that the annual traffic study and expenses for 1991 are appropriate to use, as the figures for 1991 were the most recent when the Application was filed. (Prefiled Testimony of Acker, p. 1).

4. The Commission finds that the use of the study group of eleven carriers is reasonable and representative of the SMCRC as the eleven carriers chosen for the group represent 92% of the total intrastate revenue from general commodities traffic moving within the State for the study year of 1991 on rates published in Tariff SCPSC SMC 306 series. (Prefiled Testimony of Acker, p. 2).

5. The Commission finds that the operating ratio is 103.15% before the proposed increases. (Hearing Exhibit #3, p. ii and Hearing Exhibit #2, part SMC DMA-7).

6. The Commission also finds that the proposed increases would increase revenues by \$849,005 and would change the operating ratio to 94.27%. (Hearing Exhibit #3, pp. i-ii and 6 and Hearing Exhibit #2, part SMC DMA-7).

7. The Commission finds that the market for motor carriers is "price driven" and that carriers offer discounts to be competitive in this "price driven market." (Testimony of Russell Garrett).

8. Despite the cross-examination of the SMCRC witnesses by the Consumer Advocate, the Commission finds that discounts aid competition in the trucking industry and are necessary to the individual carriers to assure traffic and business. (Testimony of Dugent).

CONCLUSIONS OF LAW

Based on the findings of fact as stated above, the Commission concludes that the analysis conducted by the SMCRC using the CTS to examine the data of the study group is reasonable and appropriate. The Commission also concludes that the proposed increases, which would lower the operating ratio from 103.15% before the increases to 94.27% after the increases and would produce \$849,005 in additional revenue, are just and reasonable. The Commission further concludes that, given the nature of the market and the competition among the carriers, discounts offered by the carriers are appropriate and may be continued.

IT IS THEREFORE ORDERED:

1. That the proposed adjustments in rates and charges filed by Southern Motor Carriers Rate Conference, Inc. on November 25, 1993, for Tariff SCPSC SMC 306-E are approved.

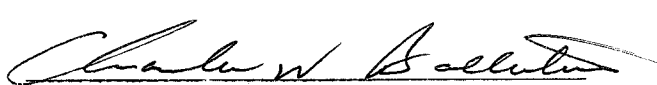
2. That the adjustments in rates and charges found fair and reasonable herein are approved and authorized effective September 7, 1993.

3. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


CHAIRMAN

ATTEST:


EXECUTIVE DIRECTOR

(SEAL)